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CENTRAL INTELLIGENCE AGENCY

REPORT

INFORMATION REPORT

COUNTRY China

DATE DISTR. 7 JUNE 1954

SUBJECT Private Chinese Metal Working Shops in Dairen

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1. In extension of my previous remarks on the subject of small private Chinese shops in Dairen : I do not know the number of such shops which were operating early in 1952. I do recall, however, that some of them were still in existence as of that time. the shop owners who told me about their difficulties. I will confine my remarks to metal working shops. As a guess, I would say there must have been well over from 10 to 15 such shops in Dairen. I do not know the name of even one such shop.

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2. All the private Chinese metal working shops may be divided into two groups:

   (a) those shops with heavier mechanical equipment which were able to do casting work if necessary. I suppose there were from five to eight such shops in early 1952.

   (b) the more primitive fitting shops which worked mostly on repairing iron bedstands and similar objects for the open market.

3. In addition, there were many "light industry" shops, ie, cotton spinning, yarn dyeing, and weaving shops. These shops were mostly located in New Chinatown. Such shops utilized premises of former retail stores and usually had from 10 to 15 men and women as workers. Shops of this type were still in operation in March 1952.

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4. Several former owners of private metal working shops in Dairen told me that after they had finally obtained permission to close their businesses, they had sold all their equipment for a very low price to government-owned factories. The proceeds were spent by them in order to pay the taxes and wages of their employees. The former owners were then trying to obtain jobs as foremen in factories, but found this rather difficult because of their "capitalistic" past. However, I feel certain that the fate of these former Chinese owners later actually was far worse than even the above facts would indicate. I believe this because

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[redacted] the notorious campaign of terror referred to as the "Three Points" and later as the "Five Points" was begun and continued for 10 or 12 months. During that period of terror many "capitalists" not only lost their property, but also their lives. By early 1953 very few of the privately-owned metal working shops would have still existed, and the main portion of their equipment must have been confiscated and given to government-owned shops. This does not necessarily mean, however, that the equipment in question was utilized by its new owners. I presume that many machines were merely stored on plant grounds and perhaps often without cover. Such treatment of equipment was even occasionally to be found at Machine Factory No 17 when that plant had, in 1948, received many old fashioned and small lathes and other machinery, when it acquired the Instrument Plant or Tool Shop (Instrumentalni Zavod). This machinery was not needed for immediate use in production. However, some of the machines were later reconstructed and utilized for special production, such as bolt cutting.

5. In answer to the question of whether the taxing authorities of other government authorities had a program for reintegration of the small privately owned facilities into government enterprises: I believe that probably, in general, there was no such program. It seems possible that at times government agents would wish to acquire certain special machines, but I do not have any supporting evidence even for this statement.

6. With reference to the question as to whether the machinery was dispersed through private sales or other means: in late 1951 and in early 1952 there was no private market for machines. Therefore, I believe that it must have been difficult to find a buyer and that the owners had to sell their machinery to government factories only, and at a price set by the government.

7. In regard to the subject as to whether the smaller firms had their productivity brought into play in conditions of total production effort, I can only say that up to 1950 the Soviet authorities had regarded favorably private industry for three reasons:

   (a) the private shops provided a very fine field in which to organize workers into unions (with an immediate goal of increasing wages and obtaining some other advantages for the workers) and a long range goal of the Communist authorities being able to engage in mass "brain washing" and choosing candidates for the Communist Party;

   (b) the private shops had played a large role, perhaps the main role, in the rehabilitation of Soviet-owned industry in that area;

   (c) private industry up to 1950 provided employment for many workers, which helped keep the labor force in Dairen and avoided its being dispersed to the villages.

Gradually the attitude toward private industry changed, and this change coincided with the increase of Chinese Communist influence in Dairen. Private owners of industrial shops, particularly the metal working firms, came to be considered as enemies to be annihilated. Therefore, with this attitude prevalent during 1951 and early 1952 I did not hear of even one case where private shops were utilized as a possible source of additional production.

8. In closing, I would like to emphasize again that my remarks above relate only to the metal working industry. It may possibly have been a different story in the textile industry.

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